

**GOVERNMENT OF PUERTO RICO
PUERTO RICO PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU**

NEPR

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IN RE:

**PUERTO RICO TEST FOR DEMAND
RESPONSE AND ENERGY EFFICIENCY**

CASE NO.: NEPR-MI-2021-0009

**SUBJECT: LUMA's Comments in Connection with
Step 1 of NSPM Process pursuant to Energy
Bureau's Resolution and Order of May 14, 2021 and
its Attachment B**

**MOTION SUBMITTING LUMA'S COMMENTS IN CONNECTION WITH STEP 1 OF
NSPM PROCESS PURSUANT TO ENERGY BUREAU'S RESOLUTION AND ORDER
OF MAY 14, 2021 AND ITS ATTACHMENT B**

TO THE PUERTO RICO ENERGY BUREAU:

COME NOW, LUMA ENERGY, LLC as Management Co., and **LUMA ENERGY
SERVCO, LLC** (together, LUMA), through their undersigned legal counsel and respectfully state
and request the following:

1. On May 14, 2021, this Puerto Rico Energy Bureau ("Energy Bureau") issued a Resolution and Order (the "May 14th Resolution") initiating the referenced proceeding to develop the Puerto Rico Benefit Cost Test ("PR Test") required under Section 2.01(B) of the Energy Bureau's Regulation for Demand Response of December 21, 2020, Regulation 9246, which proceeding will also have the purpose of defining the PR Test contemplated under the Proposed Energy Efficiency Regulation issued by the Energy Bureau on April 22, 2021.
2. In its May 14th Resolution, the Energy Bureau indicates that it has adopted a five-step process (each a "Step" and collectively the "Steps") for developing a jurisdiction-specific cost-effectiveness test as per the National Standard Practice Manual ("NSPM") for Benefit-Cost Analysis of Distributed Energy Resources of August 2020 (the "NSPM Process") which steps are: Step 1: Articulate applicable policy goals; Step 2: Include all utility system impacts; Step

3: Decide which non-utility system impacts to include; Step 4: Ensure that benefits and costs are properly addressed; and Step 5: Establish comprehensive, transparent documentation. *See* May 14th Resolution at page 5.

3. The Energy Bureau also indicates that each of the mentioned Steps will be discussed and stakeholder feedback obtained over four one-day technical workshops, and orders LUMA and the Puerto Rico Electric Power Authority (“PREPA”) to attend each of these technical workshops. *Id.* According to the Energy Bureau, these workshops are to “culminate in an Energy Bureau Order memorializing the process and the PR Test framework.” *Id.* at page 6.
4. With respect to Step 1 of the NSPM Process, according to the May 14th Resolution and its Attachment B (“Attachment B”), PREB is seeking comments from stakeholders on the list of policy goals related to Demand Response (“DR”) and Energy Efficiency (“EE”) before the first scheduled workshop, in accordance with the template in Attachment B. *See id.* at page 5 and Attachment B.
5. In its May 14th Resolution, the Energy Bureau further orders LUMA and PREPA to provide comments to the Energy Bureau for Step 1 of the NSPM Process as per Attachment B on or before June 4, 2021. *See id.* at pages 6-7.
6. In compliance with the May 14th Resolution, LUMA is submitting herein its comments on the first Step of the NSPM Process using the template of Attachment B to the May 14th Resolution. *See* Exhibit 1.

WHEREFORE, LUMA respectfully requests that the Energy Bureau **accept** and **consider** this filing of its comments in connection with Step 1 of the NSPM process as per Attachment B to

the May 14th Resolution and **deem** LUMA in compliance with the comment requirement under the May 14th Resolution.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 4th day of June 2021.

We certify that we filed this motion using the electronic filing system of the Puerto Rico Energy Bureau.



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Exhibit 1

LUMA's Comments in connection with Step 1 of the NSPM process
As per Attachment B of the Energy Bureau's Resolution and Order of May 14th, 2021



Puerto Rico Cost Test for Demand Response and Energy Efficiency

NEPR-MI-2021-0009

June 4, 2021

Identification of Puerto Rico Policies for PR Cost Test

This document provides LUMA's response to Energy Bureau's request for Identification of Puerto Rico Policies for PR Cost Test (PRCT). The table below comments on Energy Efficiency (EE) or Demand Response (DR) Policies, including a summary description, policy goals or principles, and corresponding relevant impacts. In addition, we offer some high-level comments on the PR Cost Test for consideration. These comments pertain to two concepts, least cost resources and non-energy benefits, which have a bearing on the relevant impacts and their treatment in a PRCT. Many PR policies related to EE and DR are more pertinent for the development of program goals and design strategies/tactics, than for the construction of a cost-benefit test. Many of these policies pertain to important but hard-to-measure "non-energy benefits" like equity, economic development, and education that should not be overlooked, but are not practical for direct inclusion in a quantitative cost-effectiveness analysis.

Non-Energy Benefits

In addition to energy impacts, non-energy impacts or non-energy benefits (NEBs) need to be considered when making decisions about distributed energy resource program strategies. NEBs often include environmental impacts such as greenhouse gas emissions, air quality impacts, and water savings. NEBs may also include economic development and employment impacts, public health and welfare impacts, and energy security impacts. Other items under NEBs can include comfort and productivity impacts, impacts on operations and maintenance (O&M), safety impacts, benefits from consumer education and awareness. There are several relevant impact items listed below, tied to specific policy goals, that can be categorized as NEBs. These NEBs are often characterized as "hard-to-measure" because of the difficulty and complexity of quantifying directly attributable benefits and costs. For simplicity these NEBs can be represented in aggregate through a blanket "NEB adder" for assessing cost-effectiveness. In energy efficiency frameworks where there may be a lack of data to quantify specific NEBs, or where the regulator has determined that applying an adder simplifies the costing process appropriately, a NEB adder may be applied. If NEBs are to be factored into the PRCT, LUMA would suggest the use of a NEB adder, especially in the near term until these hard-to-measure benefits and costs could be properly studied and accounted for.

Selection of Least Cost Resources

Cost-effectiveness tests such as the PRCT determine whether the benefits of a portfolio, program, or measure are greater than the costs. The PRCT does not determine least cost resources. The calculation of levelized costs, which enables equivalent cost comparison across a range of resource types, is used for determination of least cost resources. Calculation of levelized costs is a separate calculation. The selection of least cost resources takes place under the Integrated Resource Planning process (IRP) that uses supply curves of different resource types as inputs. The supply curves represent the availability of resources at specified levelized costs, represented as either \$/kW-yr. or \$/kWh-yr. The cost items leading to the levelized cost calculations should be included under the cost items in the PRCT, but the determination of least cost resources will be outside the PRCT framework.

Attachment B Identification of Puerto Rico Policies for PRCT

Column A EE or DR Policy and Resource	Column B Summary/Description	Column C Policy Goal or Principle	Column D List of Relevant Impacts
<p>Act 17-2019 Section 1.4</p>	<p>The activities or functions related to the electric power service shall be governed by the principles of efficiency, quality, continuity, adaptability, impartiality, solidarity, and equality: i) The efficiency principle compels the correct allocation and use of resources to guarantee that services are rendered at the lowest possible cost and that resources which compose the Electrical System are developed according to the best industry practices.</p>	<ul style="list-style-type: none"> • Efficiency • Quality • Continuity • Adaptability • Impartiality • Solidarity • Equality • Correct allocation and use of resources • Low costs for service • Resources developed according to best industry standards 	<p>Impacts to include:</p> <ul style="list-style-type: none"> ○ Energy costs ○ Generation capacity costs ○ T&D costs <p>Benefit-cost ratios need to be considered from all three perspectives: utility, customer, and society.</p> <p><i>The PRCT would calculate the benefit-cost ratios but would not determine least cost resources. The calculation of levelized costs and determination of least cost resources need to take place under the IRP process which uses supply curves for different resource types as inputs.</i></p>
<p>Act 17-2019 Section 1.5(4)(b)</p>	<p>The energy public policy of Puerto Rico includes making efforts to educate citizens and electric power service customers on energy efficiency consumption reduction, distributed generation strategies, and other available tools to empower consumers to have more control over their energy consumption.</p>	<ul style="list-style-type: none"> • Educate citizens • Consumption reduction • Distributed generation strategies • Tools to empower consumers to control energy consumption 	<p>Education goals can be promoted through program design strategies and tactics, and through dedicated budget carve-out for education initiatives.</p>
<p>Act 17-2019 Section 1.5(f)(e)</p>	<p>The energy public policy of Puerto Rico includes promoting and overseeing that prices are based on the actual cost of the service provided, efficiency standards, or any other electric industry parameters.</p>	<ul style="list-style-type: none"> • Prices based on actual cost of service • Industry standards 	<p>Ensure that benefit-cost test inputs such as equipment costs, program delivery costs and avoided costs are based on actual cost of services in Puerto Rico.</p>
<p>Act 17-2019 Section 1.5(5)(f)</p>	<p>The energy public policy of Puerto Rico includes establishing demand response, demand-side management, and energy</p>	<ul style="list-style-type: none"> • Incentivize customers to be more energy efficient • Reduction in costs 	<p>Incorporate standard costs and benefits from Utility Cost Test (UCT) and Participant Cost Test (PCT) for</p>

	<p>efficiency programs and strategies that take into account short-, medium-, and long-term goals and incentivize customers to become more energy efficient, with a focus that results in a reduction in costs and energy consumption, as well as greater stability and reliability.</p>	<ul style="list-style-type: none"> • Reduction in energy consumption • Greater stability • Greater reliability 	<p>energy efficiency and demand response programs.</p> <p>The general NEB adder would account for hard-to-measure stability and reliability impacts.</p>
<p>Act 17-2019 Section 1.6(1)</p>	<p>A goal of the energy public policy is to achieve, among others, the initial objectives of promoting the fastest and most efficient reconstruction, modernization, and revamping of the transmission and distribution system (“T&D System”) for the purpose of developing a robust and flexible system that can integrate new technologies, distributed generation, renewable energy sources, and energy efficiency mechanisms as well as provide consumers with alternatives in the energy sector, thereby maximizing available state and federal resources.</p>	<ul style="list-style-type: none"> • Fastest and most efficient reconstruction, modernization and revamping of T&D System • Robust and flexible system • Integration of new technologies • Integration of distributed generation • Integration of renewable energy sources • Integration of energy efficiency mechanisms • Provide alternatives to consumers • Maximizing state and federal resources 	<p>The formation of clean energy incentive programs is itself the mechanism for advancing policy goals such as modernization and advancing new technologies. These policy goals can not be readily accounted for in the formulation of a cost-effectiveness test. However, NEBs like economic development, innovation and job creation can be accounted for in program goals and design strategies, through a general NEB adder, and through additional reporting metrics like job growth and GDP impact.</p>
<p>Act 17-2019 Section 1.6(10)</p> <p>&</p> <p>Act 57-2017 Article 6.3(h)</p>	<p>A goal of the energy public policy is to promote demand response and energy efficiency programs with a defined timetable and incentives in order to make short-, medium- and long-term programs feasible, while stressing the benefits that such programs provide to consumers and the electrical system. (Act 17) Also, short-, medium-, and long-term demand response programs to use effective incentive mechanisms for consumers that facilitate a change in their behavior. (Act 57)</p>	<ul style="list-style-type: none"> • Feasible short, medium- and long- term demand response and energy efficiency programs • Defined timetable • Defined and effective incentives mechanisms for consumers • Benefits to consumers and electric system 	<p>Include annual and lifetime savings for energy efficiency and demand response programs.</p> <p>The cost inputs in the PRCT should include sufficient and predictable budgets to ensure programs can be developed and sustained over time.</p>
<p>Act 57-2014 Statement of Motives</p> <p>As cited in PREB Resolution NEPR-IR-2019-001 of March 5,</p>	<p>The energy reform established herein is the most effective manner to promote initiatives and measures that shall result in the much needed permanent reduction of cost of electricity, to restructure the electric power system in the Island and to serve as</p>	<ul style="list-style-type: none"> • Permanent reduction of energy costs • Electric power restructuring as driving force for economic 	<p>NEBs like economic development can be accounted for in program design strategies, through a general NEB adder, and through additional reporting metrics like job growth and GDP impact.</p>

<p>2020, re: highly efficient energy generation</p>	<p>a driving force to promote the economic and competitive development that the people claim for our Island.”</p>	<p>development and competitiveness</p>	
<p>Act 57-2014 Article 6.22</p>	<p>Electric power companies to submit information to PREB re: energy demand, efficiency, and/or conservation management plans and goals; load management programs and technologies; gas emission or environmental pollutants reduction; resource diversification; and use of renewable energy sources, as applicable.</p>	<ul style="list-style-type: none"> • Energy demand • Energy efficiency • Conservation management plans and goals • Load management programs and technologies • Gas emissions reductions • Environmental pollutants reductions • Resource diversification • Use of renewable energy sources 	<p>The general NEB adder would account for hard-to-measure public health benefits.</p>
<p>Act 57-2014 Section 6.29A</p>	<p>Energy Bureau to develop guidelines for electric power service companies to develop Demand Response or Demand-Side Management Programs. Established guidelines to include a defined schedule and incentives to make short-, medium-, and long-term programs feasible, focusing on the benefits that residential and commercial customers may receive from the reduction of energy consumption during peak hours.</p>	<ul style="list-style-type: none"> • Development of demand response programs or demand-side management programs • Defined schedule and incentives of short, medium- and long- term programs with benefits to residential and commercial consumers. • Reduction of consumption during peak hours 	<p>Impact on peak demand includes:</p> <ul style="list-style-type: none"> ○ Generation capacity costs ○ T&D costs ○ Energy costs
<p>Act 60-2019, as amended Puerto Rico Incentives Code Sections 1010.01(a) and (c)(3)</p>	<p>Provides tax incentives to entities producing highly efficient energy. Establishes as public policy that strong action be taken to modernize the infrastructure and reduce energy costs through investment in infrastructure and different alternatives of renewable energy as well as incentivize the use of technologies that will promote sustainability and utilities production that are cost-efficient and cleaner than current infrastructure. (Section 1010.01(c)(3).) Public policy of Code is also to establish economic principles to incentivize</p>	<ul style="list-style-type: none"> • Incentivize highly efficient energy generation • Modernize infrastructure • Reduce energy costs through investment in infrastructure • Use technologies that promote sustainability. • Promote utilities production that is cost-efficient and clean • Incentivize competitiveness and innovation 	<p>The formation of clean energy incentive programs is itself the mechanism for employing economic principles to advance policy goals such as innovation and modernization. These policy goals are not easily accounted for in the formulation of a cost-effectiveness test.</p> <p>However, NEBs like economic development and job creation can be accounted for in program design strategies, through a general NEB</p>

competitiveness, innovation, exportation and activities that increase long-term sustainable economic development.
(Section 1010.01(a))

- Incentivize activities that increase long-term sustainable economic development

adder, and through additional reporting metrics like job growth and GDP impact.